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The Sweat of Their Brows

Federal Plan Finances Homes Of Low-Income Families Who Build Their Own Dwellings

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Coachella, Calif.

FROM MONDAY to Friday, Guillermina and Refugio Cuevas pick and pack grapes for a living. On week ends, each dons a tool belt and takes up a hammer.

It's not for extra cash. In their spare time, the Cuevases are building houses for themselves and 11 other families—a dozen single-family homes in a row—not far from chic Palm Springs.

They are all participants in a little-known federal program that finances homes in rural areas for low-income families. The act of home building, deemed “sweat equity,” accounts for 10% to 15% of the value of each new home and serves as the down payment.

The program promises a dramatic lifestyle change for the Cuevases and their four children, who for nine years have rented a cockroach-infested apartment in an agricultural labor camp. Amid escalating property prices, homeownership seemed further from reach with each passing year. The Cuevases' combined annual income is just \$25,000, while the average price of homes in the area is between \$300,000 and \$350,000, according to the city's building department.

Earlier this year, the couple learned they had qualified for the “mutual self-help program” run by the Coachella Valley Housing Coalition, a local nonprofit developer, and funded by the U.S. Department of Agriculture. In eight months, they hope to move into their four-bedroom house, complete with central air conditioning. The prospect of “owning a house gives me much fulfillment,” said Mrs. Cuevas, as she put the final touches on a house's framing in the 100-degree heat of a recent Saturday morning.

Mrs. Cuevas wasn't even working on her own house; hers is down the street. Instead, she was erecting the home of Carmen and Carlos Meza, another couple in the program.

Each participating family contributes at least 40 hours of labor weekly over 10 to 12 months until all houses in their group are completed. The developer employs a building supervisor who trains the families and assigns them construction jobs. All told, the families do about two-thirds of the labor; air conditioning, plumbing and stucco are among the tasks left for licensed specialists.

Reminiscent of Amish barn-raising, community home building marries self-reliance with group effort. Some USDA officials say it recalls the Homestead Act of 1862, when Abraham Lincoln gave settlers—many of them immigrants—a tract on which to build and plant with the intention of populating the from

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Besides funding construction of the houses, the USDA offers the families mortgages. But it offloads some of the work to local community groups, like the Coachella Valley coalition. The local partners are responsible for finding tracts to develop, screening applicants for the program, training participants and supervising construction.

The Coachella Valley coalition builds about 150 single-family houses each year in Riverside and Imperial counties. The Cuevas family waited four years to get into the program. The housing coalition's staff interviewed the couple, verified their employment history and checked their credit record, among other things. Once accepted, the Cuevases received construction training and a financial-planning course for first-time homeowners.

Considered high-risk borrowers, working-class families like the Cuevases have little chance of being approved for a regular mortgage; they also can't afford to make a down payment.

Yet it's precisely these working-class families that the USDA program targets. To qualify, a family's annual income can be no more than 80% of the area's median income. The interest rate on their home loans ranges from 1% up to the going market rate, depending on family income. "This isn't a giveaway," says Russell Davis, administrator of housing for USDA rural development. "These families make mortgage payments and pay taxes." The default rate hovers around 2% to 3%, he says.

The Cuevases are likely to make monthly mortgage payments of about \$650 on a mortgage of \$111,000 with a preferential interest rate, which will be determined when the house is completed.

On average, each year the USDA disburses about \$200 million in mortgages for about 1,500 families in 40 states participating in the self-help scheme. In the past 10 years, the cost of running the program, exclusive of mortgages, has tripled in size to \$34 million annually.

The program targets minorities to further President Bush's mission to boost minority homeownership, according to the USDA. In Coachella, the overwhelming majority of participants are Latinos,

who toil in the fields, hotels and restaurants in the Palm Springs area. Participants must be legal residents of the U.S.

Another goal of the USDA program is to breathe new life into communities suffering from an exodus of their young to urban areas. Thanks to the program, development is

happening in Great Plains states, such as North Dakota and Kansas, where there hasn't been much new housing stock for 50 years, Mr. Davis says.

Mr. Davis says the USDA wants to expand the program in some under-served areas. But soaring land prices are becoming an obstacle in states like California and Nevada. Local groups, such as the Coachella Valley coalition, compete with for-profit developers for land. And in some towns, new homeowners must contend with property taxes that run nearly as high as mortgage payments, according to Paul Venosdel, California director for USDA rural development.

Coachella Valley Housing Coalition's executive director, John Mealey, had to tap the state of California for extra funding and Wells Fargo & Co. for financing to acquire the land and build initial infrastructure, such as streets and sidewalks.

In Coachella, the total budget for erecting Paseo de Las Palmas, the development where the Cuevas will live, is \$17.2 million. The average price of the three- and four-bedroom houses is

\$147,000; city building inspector Lizandro Diaz estimates that their market value is close to \$300,000.

However, "the families in the project aren't thinking about property appreciation," says Mr. Mealey. "They're thinking about a place for their kids to grow up and do their homework." He says families are meticulous about maintaining their homes and rarely sell them. (If a family sells its home, it is required to repay the interest credit received from the USDA, which is the difference between a ceiling interest rate set by the agency and the actual interest the family paid.)

At Paseo de Las Palmas, the houses look like typical middle-class tract housing, with two-car garages, tile roofs and stucco finish. Mr. Diaz, the building inspector, says the workmanship is often better than what he finds in developments built by contractors.

In all, 126 families will live in Paseo de las Palmas when it's completed early next year. So far, 42 families have moved into the development, which boasts a stunning view of the Santa Rosa Mountains. Last month, Maria and Gubenal Madrigal occupied a three-bedroom, egg shell-white house whose entrance is lined with colorful flowers. Their sons, Aaron, 8 years old, and Jacob, 6, quickly recite the reasons they love their new home: more room inside, a yard for barbecuing and a sidewalk for biking.